

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2009-2-E - ORDER NO. 2009-289

APRIL 30, 2009

IN RE: Annual Review of Base Rates for Fuel Costs	)	ORDER APPROVING
of South Carolina Electric and Gas Company	)	FUEL COSTS AND
	)	ADOPTING
	)	SETTLEMENT
	)	AGREEMENT

This matter comes before the Public Service Commission of South Carolina ("Commission") on the annual review of the fuel purchasing practices and policies of South Carolina Electric & Gas Company ("SCE&G" or "the Company") and for a determination as to whether any adjustment in the fuel cost recovery factor is necessary and reasonable. The procedure followed by the Commission in this proceeding is set forth in S.C. Code Ann. §58-27-865 (Supp. 2008). Specifically, S.C. Code Ann. §58-27-865(B) states in pertinent part that, "[u]pon conducting public hearings in accordance with law, the [C]ommission shall direct each company to place in effect in its base rate an amount designed to recover, during the succeeding twelve months, the fuel costs determined by the [C]ommission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding twelve-month period."

By letter dated November 18, 2008, the Commission's Docketing Department instructed the Company to publish a Notice of Hearing ("Notice") in newspapers of general circulation in the area affected by the Commission's annual review of the Company's fuel purchasing practices and policies by January 9, 2009. The Notice

indicated the nature of the proceeding and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file appropriate pleadings. On January 13, 2009, the Company filed with the Commission affidavits demonstrating that the Notice was duly published in accordance with the Docketing Department's instructions and certified that a copy of the Notice was mailed to each affected customer.

Timely petitions to intervene were received from CMC Steel South Carolina ("CMC Steel") and the South Carolina Energy Users Committee ("SCEUC"), which were not opposed. The South Carolina Office of Regulatory Staff ("ORS") is automatically a party pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2008).

The Commission convened a hearing on this matter on March 26, 2009 with the Honorable Elizabeth B. Fleming, Chairman, presiding. SCE&G was represented by K. Chad Burgess, Esquire and Mitchell Willoughby, Esquire. SCEUC was represented by Scott Elliott, Esquire. CMC Steel and its counsel of record did not appear at the hearing. Shannon Bowyer Hudson, Esquire, represented ORS. In this Order, ORS, SCEUC, CMC Steel and SCE&G are collectively referred to as the "Parties" or sometimes individually as a "Party."

At the outset of the hearing, the Parties presented the Settlement Agreement that was filed with the Commission on March 25, 2009. The Settlement Agreement was admitted into the record as Hearing Exhibit 1 and is attached hereto and incorporated herein as Order Exhibit No. 1. In the Settlement Agreement, the Parties represented to the Commission that they had discussed the issues presented in this case and determined

that each Party's interests and the public interest would be best served by settling all issues pending in this case in accordance with the terms and conditions contained in the Settlement Agreement.

S.C. Code Ann. § 58-3-140 (A) (Supp. 2008) vests the Commission with the "power and jurisdiction to supervise and regulate the rates and service of every public utility in this State..." In carrying out these duties in relation to the Settlement Agreement, the Commission's published "Settlement Policies and Procedures" (Revised 6/13/2006) are applicable to guide this proceeding. Specifically, Section II of the Settlement Policies and Procedures, titled "Consideration of Settlements," states:

When a settlement is presented to the Commission, the Commission will prescribe procedures appropriate to the nature of the settlement for the Commission's consideration of the settlement... [W]hen the settlement presents issues of significant implication for other utilities, customers, or the public interest, the Commission will convene an evidentiary hearing to consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. Approval of such settlements shall be based upon substantial evidence in the record.

Because this case presented issues of significant implication for the utility and the public interest, a hearing has been held to consider the merits of this case, including the parties' stipulations, and we now proceed to evaluate the record in this proceeding.

Through their personal appearances, SCE&G presented the testimonies of Thomas D. Gatlin, Joseph M. Lynch, J. Darrin Kahl, Gerhard Haimberger, Keith C. Coffey, Jr., Allen W. Rooks, Joseph K. Todd and John S. Beier. The testimonies and exhibits of SCE&G witness Forrest E. Hill, SCEUC Witness Kevin W. O'Donnell, and CMC Steel Witness Richard Thomas were stipulated into the record of the case without

objection and without the need for these witnesses to personally appear to present their testimony. Through their personal appearances, ORS presented the testimonies of Jacqueline R. Cherry and A. Randy Watts. At the request of SCE&G and with the consent of the other parties, certain portions of the testimonies of SCE&G witnesses Haimberger, Beier and Hill, CMC Steel Witness Thomas, and ORS Witness Watts were declared to be confidential by the Commission and will be so maintained in the non-public records of the Commission and of the transcript of the hearing. *See also* Commission Order No. 2009-216 dated April 9, 2009, issued in the above-referenced docket.

SCE&G witnesses testified in support of the Settlement Agreement and on issues related to the prudence of SCE&G's fuel purchasing practices, plant operations, and fuel inventory management. SCE&G Witness Gatlin discussed the operation of the V.C. Summer Nuclear Station, including outages. SCE&G witness Joseph K. Todd reviewed the operating performance of the Company's fossil units and of South Carolina Generating Company's Williams Electric Generating Station. Company Witness Haimberger discussed the fuel procurement activity of the Company. SCE&G Witness Kahl provided an overview of the natural gas purchasing processes and discussed natural gas prices and forecasts.

SCE&G Witness Beier testified as to the impact of implementing a financial hedging program for SCE&G's coal purchases. SCE&G Witness Lynch testified as to forecasting methodologies. Company Witness Rooks provided actual fuel cost data for the historical period under review in this proceeding, provided the projected fuel costs for

the period January 1, 2009 through April 30, 2010, and recommended fuel rates for the period of May 2009 through April 2010.

Company Witness Coffey addressed the Company's recommendation of a credit against the electric fuel-clause under-collection as a result of converting the fuel clause administration process from a cycle month sales calculation basis to a calendar month sales calculation basis. The process that SCE&G currently uses to calculate its over- or under-collection adjustment includes the determination of an actual fuel cost per kilowatt-hour (KWH) by dividing calendar month fuel expense by the sales that are billed to customers during the month on a cycle-billed basis. Although accepted in the administration of the fuel clause, this process results in a less precise matching of fuel costs with the sales generated than would be the case were calendar-based sales used in the computation. Mr. Coffey testified that cycle billing results in an under collection of the fuel expense. The Company estimates the amount of this unbilled fuel cost recovery and recognizes the impact on its financial statements. An offset to the fuel clause under-collected balance is then recorded in a separate general ledger account. As of December 31, 2008 this estimated offset was a credit balance of approximately \$25 million. The Company proposes that the balance in this offset account be used to reduce the under-collected fuel balance as of December 31, 2008, and that this offset account be considered in all future fuel clause adjustments. Mr. Coffey testified that this will have the effect of more precisely matching calendar month fuel expense with the sales generated from the use of that fuel and therefore more precisely state the fuel clause under- or over-collected balance at any point in time. The proposed treatment will also

yield a reduction of \$24,997,275 to the Company's under-collected fuel balance as of December 31, 2008.

ORS Witness Cherry testified and presented the results of the ORS Audit Staff's examination of the Company's books and records pertaining to the Fuel Adjustment Clause operation for the period of February 2008 through April 2009. The Parties agreed to accept all accounting adjustments as set forth in ORS Witness Cherry's testimony. ORS Witness Watts testified on the ORS Electric Department's findings and recommendations resulting from ORS's review of the Company's fuel expenses and power plant operations used in the generation of electricity for the eleven-month period under review ending December 31, 2008.

The testimony supported the terms of the Settlement Agreement regarding the appropriate fuel factors for SCE&G to charge for the period beginning with the first billing cycle in May 2009 and continuing through the last billing cycle of April 2010. Under the terms of the agreement, an amount equal to the actual under-recovery at April 30, 2009, will be recovered over a three-year period beginning with the first billing cycle of May 2009. The Parties agreed that SCE&G shall be allowed to charge and recover carrying costs on an amount equal to approximately two-thirds of the actual under-collected amount, that is, the amount calculated to be the difference between the total actual under-collected amount as of April 30, 2009 and the amount of \$37,156,076.67. For the three-year recovery period, the applicable interest rate used to calculate the carrying costs under this Settlement Agreement is the rate of interest as of the first day of each month during the three year period for 3-year U.S. Government Treasury Notes, as

reported in the *Wall Street Journal*, plus an all-in spread of 65 basis points (0.65 percentage points). The total carrying cost rate to include the 65 basis points shall not exceed 6%. However, the Parties have agreed that the interest rate specified in the Settlement Agreement is subject to the right of any Party to request in SCE&G's 2010 and 2011 fuel proceedings that the Commission set a different interest rate to be applied to the uncollected balance in the second and third years of the three-year recovery period.

The Settlement Agreement describes how the three-year collection of the under recovery and its applicable carrying costs will operate. The first dollars recovered in the succeeding twelve months beginning with the first billing cycle for May 2009 shall be applied to the under recovery so that in the next fuel proceeding for SCE&G any under recovery will be for the period for May 2009 through April 2010. For the period of the first billing cycle for May 2009 through the last billing cycle for April 2010, SCE&G shall recover \$37,156,076.67 of the projected under-recovery balance as of April 30, 2009 in revised fuel rates which are as listed in the table below:

<b>Class</b>	<b>Base Fuel Cost Components (cents/KWH)</b>	<b>Environmental Fuel Cost Components (cents/KWH)</b>	<b>Total Fuel Costs Factors (cents/KWH)</b>
Residential	3.621	0.050	3.671
Small General Service	3.621	0.041	3.662
Medium General Service	3.621	0.033	3.654
Large General Service	3.621	0.025	3.646
Lighting	3.621	-	3.621

It is proposed that, beginning with the first billing cycle for May 2010 and ending with the last billing cycle for April 2012, SCE&G shall recover the remaining approximate two-thirds of the under-collected balance in equal monthly installments of 1/24 per month plus interest on the remaining balance.

After hearing the evidence and testimony of the witnesses and reviewing the Settlement Agreement, the Commission finds and concludes that the fuel purchasing practices, plant operations, and fuel inventory management of SCE&G are prudent, and that approval of the Settlement Agreement is consistent with the standards for fuel review proceedings conducted pursuant to S.C. Code Ann. §58-27-865 (Supp. 2008). The Commission also finds that the Company's recommendation to convert the fuel clause administration process from a cycle month sales calculation basis to a calendar month sales calculation basis is reasonable and prudent and that the application of a credit in the amount of \$24,997,275 against the electric fuel-clause under-collection balance should be approved. The settlement allows recovery by SCE&G of fuel costs as precisely and promptly as possible and in a manner to assure public confidence and minimize abrupt changes in charges to customers. As such, it is in the public interest as a reasonable resolution of the issues in this case. We also find that the resolution of issues among the Parties as set forth in the Settlement Agreement does not appear to inhibit economic development.

IT IS THEREFORE ORDERED THAT:

1. The fuel purchasing practices, plant operations, and fuel inventory management of SCE&G are prudent for the period February through December, 2008.



2. The Settlement Agreement is incorporated herein by reference, is found to be a reasonable resolution to the issues of this case, found to be in the public interest and is approved.

3. SCE&G shall set its Base Fuel Cost Components, Environmental Fuel Cost Components and Total Fuel Cost Factors consistent with the amounts set forth in the table below effective for bills rendered on and after the first billing cycle of May 2009, and continuing through the last billing cycle of April 2010.

<b>Class</b>	<b>Base Fuel Cost Components (cents/KWH)</b>	<b>Environmental Fuel Cost Components (cents/KWH)</b>	<b>Total Fuel Costs Factors (cents/KWH)</b>
Residential	3.621	0.050	3.671
Small General Service	3.621	0.041	3.662
Medium General Service	3.621	0.033	3.654
Large General Service	3.621	0.025	3.646
Lighting	3.621	-	3.621

4. SCE&G shall be allowed to charge and recover carrying costs on an amount equal to approximately two-thirds of the actual under-collected amount, that is, the amount calculated to be the difference between the total actual under-collected amount as of April 30, 2009 and the amount of \$37,156,076.67.

5. For the three-year recovery period, the applicable interest rate used to calculate the carrying costs under this Settlement Agreement is the rate of interest as of the first day of each month during the three year period for 3-year U.S. Government Treasury Notes, as reported in the *Wall Street Journal*, plus an all-in spread of 65 basis points (0.65 percentage points), subject to the right of any Party to request in SCE&G's 2010 and 2011 fuel proceedings that the Commission set a different interest rate to be applied to the uncollected balance in the second and third years of the three-year recovery period. The total carrying cost rate to include the 65 basis points shall not exceed 6%.

6. The Company's recommendation to convert the fuel clause administration process from a cycle month sales calculation basis to a calendar month sales calculation basis is reasonable and prudent and is hereby approved. The balance in the Company's offset account in the amount of \$24,997,275 shall be used to reduce the under-collected fuel balance as of December 31, 2008, and the offset account shall be considered in all future fuel clause adjustments.

7. The Parties shall abide by all terms of the Settlement Agreement.

8. SCE&G shall file with the Commission the tariff sheet approved by this Order entitled "Adjustment For Fuel And Variable Environmental Costs" and all other retail tariff sheets within ten (10) days of receipt of this Order, and also serve copies on the Parties. The fuel rates reflected in any such tariff sheets shall be consistent with the components and factors set forth in ordering paragraph No. 3 above.

9. SCE&G shall comply with the notice requirements set forth in S.C. Code Ann. § 58-27-865(B) (Supp.2008).

10. SCE&G shall continue to file the monthly reports as previously required. SCEUC and CMC Steel shall be provided a copy of the monthly reports.

11. SCE&G shall account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit. ORS shall monitor the cumulative recovery amount.

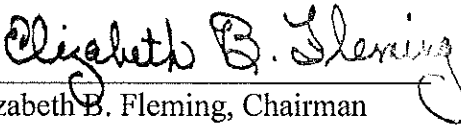
12. SCE&G shall submit monthly reports to the Commission and ORS of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

13. SCE&G shall perform an analysis of the feasibility, costs and potential benefits of operating a financial hedging program for its coal supplies as set out in the Settlement Agreement, including provision of a final written report to the parties and the Commission by January 15, 2010.

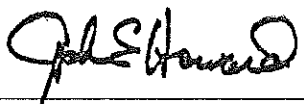
14. SCE&G shall apply any money received from litigation, arbitration, or negotiated settlements with coal suppliers where the dispute is for non-deliveries, defaults or other similar non-performance issues or for other matters related to or associated with S.C. Code Ann. Section 58-27-865 to reduce the fuel costs account. The Company shall provide quarterly reports to the parties showing the Company's efforts to seek compensation for non-deliveries, defaults, or other similar non-performance.

15. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

  
Elizabeth B. Fleming, Chairman

ATTEST:

  
\_\_\_\_\_  
John E. Howard, Vice Chairman  
(SEAL)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2009-2-E**

March \_\_, 2009

IN RE:	)	
	)	
South Carolina Electric & Gas Company -	)	<b>SETTLEMENT AGREEMENT</b>
Annual Review of Base Rates for	)	
Fuel Costs	)	
	)	
_____	)	

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff ("ORS"), South Carolina Energy Users Committee ("SCEUC"), CMC Steel South Carolina f/k/a SMI Steel South Carolina ("CMC"), and South Carolina Electric & Gas Company ("SCE&G") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina ("Commission") pursuant to the procedure established in S.C. Code Ann. §58-27-865 (Supp. 2008), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement would be in their best interest;

WHEREAS, following these discussions the Parties have each determined that their interest and the public interest would be best served by settling matters in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the direct and rebuttal testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction.

A. SCE&G witnesses:

- (1) Thomas D. Gatlin
- (2) Joseph M. Lynch
- (3) J. Darrin Kahl
- (4) Gerhard Haimberger (Direct and Rebuttal Testimony)
- (5) Keith C. Coffey, Jr.
- (6) Allen W. Rooks
- (7) Joseph K. Todd
- (8) Forrest E. Hill (Rebuttal Testimony) (to save costs, the Parties agree Mr. Hill need not appear in person at the hearing in this case)
- (9) John S. Beier (Rebuttal Testimony)

B. ORS witnesses:

- (1) Jacqueline R. Cherry
- (2) A. Randy Watts

C. SCEUC witness:

- (1) Kevin W. O'Donnell (to save costs, the Parties agree Mr. O'Donnell need not appear in person at the hearing in this case)

D. CMC witness:

- (1) Richard Thomas (Direct and Surrebuttal Testimony) (to save costs, the Parties agree Mr. Thomas need not appear in person at the hearing in this case)

2. As a compromise, all Parties adopt, accept, and acknowledge as the agreement of the Parties that:

- A. SCE&G's under recovered fuel cost balance for the period February 1, 2008 through April 30, 2009 is projected to be the amount of \$111,468,230. This under recovery consists of historical under recovered costs for the period February 1, 2008 through December 31, 2008 and estimated under recovered costs for the period January 1, 2009 through April 30, 2009.
- B. SCE&G agrees to recover an amount equal to the actual under-collected amount which is projected to be approximately \$111,468,230 over a three year period commencing with the first billing cycle for May 2009. The Parties also agree that SCE&G shall be allowed to charge and recover carrying costs on an amount equal to approximately 2/3 of the actual under-collected amount, that is, the amount calculated to be the difference between the total actual under-collected amount as of April 30, 2009 and the amount of \$37,156,076.67. For the three-year recovery period, the applicable interest rate used to calculate the carrying costs under this Settlement Agreement is the rate of interest as of the first day of each month during the three year period for 3-year U.S. Government Treasury Notes, as reported in the *Wall Street Journal*, plus an all-in spread of 65 basis points (0.65 percentage points), subject to the right of any Party to request in SCE&G's 2010 and 2011 fuel proceedings that the Commission set a different interest rate to be applied to the uncollected balance in the second and third years of the three-year recovery period. The total carrying cost rate to include the 65 basis points shall not exceed 6%. The three year collection of the under recovery and its applicable carrying costs shall operate as follows:
  - (1) For the period of the first billing cycle for May 2009 through the last billing cycle for April 2010, SCE&G shall recover \$37,156,076.67 in the fuel rates set forth in paragraph 2.D below. As described in paragraph 2.B. above, interest on the remaining approximate 2/3

under-collected balance shall accrue and be recovered during the 3-year recovery plan.

- (2) Beginning with the first billing cycle for May 2010 and ending with the last billing cycle for April 2012, SCE&G shall recover the remaining approximate 2/3 under-collected balance in equal monthly installments of 1/24 per month plus interest on the remaining balance. Interest shall be calculated consistent with the calculation and recovery mechanism set forth in paragraph 2.B above, subject to the right of any Party to request in SCE&G's 2010 and 2011 fuel proceedings that the Commission set a different interest rate to be applied to the uncollected balance in the second and third years of the three-year recovery period.
- (3) Attachment A provides an example of the recovery procedure agreed to in this Settlement Agreement. This example assumes an under-collected balance as of April 30, 2009 in the amount of \$111,468,230. The parties understand, acknowledge and agree that the under-collected balance used in Attachment A is for illustrative purposes only. The parties further understand, acknowledge and agree that the actual under-collected balance used in Attachment A may be greater than, equal to or less than the amount of \$111,468,230 and that the actual calculation and monthly carrying costs to be collected will be based on the actual under-collected amount as of April 30, 2009. A sample carrying cost rate is used in Attachment A for illustrative purposes only and the Parties understand that the carrying cost rate may change on a month to month basis as rates for the 3-year U.S. Government Treasury Notes fluctuate, either increasing or decreasing during the three-year recovery period. The Parties understand, acknowledge and agree that the interest rate to be applied to the uncollected balance in the second and third years of the three-year recovery period is subject to the right of any Party to request in SCE&G's 2010 and 2011 fuel proceedings that the Commission set a different interest rate.

- C. The Parties agree and recommend that the first dollars recovered in the succeeding twelve months beginning with the first billing cycle for May 2009 shall be applied to the under recovery so that in the next fuel proceeding for SCE&G any under recovery will be for the period for May 2009 through April 2010.



- D. The appropriate fuel factors for SCE&G to charge for the period beginning with the first billing cycle in May 2009 extending through the last billing cycle for April 2010 are listed below. These fuel factors include environmental costs and an amount equal to the under recovered fuel costs described in paragraph 2.B(1).

<b>Class</b>	<b>Base Fuel Cost Component (cents/KWH)</b>	<b>Environmental Fuel Cost Component (cents/KWH)</b>	<b>Total Fuel Costs Factor (cents/KWH)</b>
Residential	3.621	0.050	3.671
Small General Service	3.621	0.041	3.662
Medium General Service	3.621	0.033	3.654
Large General Service	3.621	0.025	3.646
Lighting	3.621	-	3.621

- E. The Parties agree the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 (Supp. 2008). The Parties further agree that any and all challenges to SCE&G's historical fuel costs recovery for the period ending December 31, 2008, are not subject to further review; however, the projected fuel costs for periods beginning January 1, 2009, and thereafter shall be open issues in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865 (Supp. 2008).
- F. Included in the above environmental fuel cost is approximately \$14,081,647 in credits to retail electric customer classes from the SO<sub>2</sub> account balance ending December 31, 2008. Discussion of the SO<sub>2</sub> account and credit is set forth in the testimony of ORS witness A. Randy Watts.
- G. The Parties agree to accept all adjustments and recommendations as put forth by ORS in the testimony of ORS witnesses A. Randy Watts and Jacqueline R. Cherry with the exception of the interest rate as agreed to in this settlement agreement in paragraph 2.B.
- H. SCE&G agrees to apply any money received from litigation, arbitration, or negotiated settlements with coal suppliers where the dispute is for non-deliveries, defaults or other similar non-performance issues or for other matters related to or associated with S.C. Code §58-27-865 to reduce the fuel costs account. SCE&G also agrees to provide to the parties quarterly reports

showing the Company's efforts to seek compensation for non-deliveries, defaults or other similar non-performance.

- I. The parties understand that ORS is monitoring the large increase in transportation costs and may take action before appropriate forums. To the extent possible and as reasonably requested by ORS, SCE&G, CMC and SCEUC agree to cooperate and provide assistance to ORS.
- J. SCE&G agrees to provide to ORS, CMC and SCEUC the following:
  - (1) Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
  - (2) Quarterly forecasts beginning with the quarter ending June 30, 2009 of the expected fuel factor to be set at SCE&G's next annual fuel proceeding and SCE&G's historical over/under recovery to date. SCE&G agrees it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding; however, all Parties agree that these quarterly forecasts will not be admitted into evidence in any future SCE&G proceedings.
- K. SCE&G agrees to perform an analysis of the feasibility, costs and potential benefits of operating a financial hedging program for its coal supplies for electric generation. During the first sixty (60) days of the analytical process measured from the date of execution of this agreement, at each Party's discretion, SCE&G agrees to receive and consider input from a Party regarding the design of the analysis and the factors to be included in the analysis for evaluation. However, SCE&G retains ultimate control over the design of the analysis and the factors to be evaluated. SCE&G will provide a copy of an interim report of said analysis to the Parties by September 15, 2009. Each Party agrees to provide SCE&G with written comments, if any, to the interim written report by November 15, 2009. After receiving the comments of the Parties, if any, SCE&G agrees to complete its analysis and issue a final written report by January 15, 2010 and provide a copy of same to the Parties. The report will also be filed with SCE&G's testimony in the 2010 fuel hearing. The volumes of coal that are the subject of this analysis will be forecast using SCE&G's standard generation forecasting models and fuel cost forecasting models, supplemented by all relevant data, and the analysis shall explicitly address, among other things, electric system demand, weather, plant operating characteristics, forced

outages, scheduled plant outages, and the market price of power. The underlying data used in this analysis will be made available for inspection by ORS upon the execution of a mutually agreeable confidentiality agreement. The underlying data used in this analysis will also be made available for inspection by other Parties upon the execution of a mutually agreeable confidentiality agreement to the extent that SCE&G determines the data not to be business confidential and as such exempt from disclosure notwithstanding the execution of said confidentiality agreement. By executing this Settlement Agreement, no Party shall waive or otherwise prejudice its right to seek an order from the Commission if such Party disagrees with any assertion by SCE&G that certain data or information is business confidential or otherwise protected from disclosure notwithstanding that the Party has executed a confidentiality agreement.

3. The Parties agree this Settlement Agreement is reasonable, in the public interest and in accordance with law and regulatory policy.

4. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code §58-4-10(B) (Supp. 2008). S.C. Code §58-4-10(B)(1) through (3) reads in part as follows:

“...‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State’s public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.”

5. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution in the above-captioned proceeding. The Parties agree to use

reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

6. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that this Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will the Settlement Agreement or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

7. This Settlement Agreement shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

**WE AGREE:**

**Representing and binding the South Carolina Office of Regulatory Staff**

Shannon Bowyer Hudson  
Nanette S. Edwards, Esquire

Shannon Bowyer Hudson, Esquire

**South Carolina Office of Regulatory Staff**

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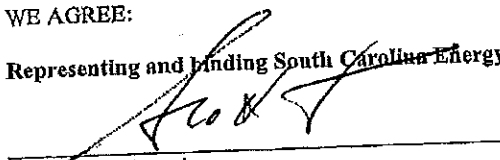
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WE AGREE:

Representing and binding South Carolina Energy Users Committee

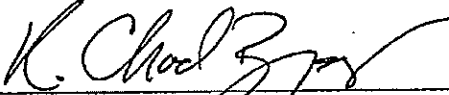


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WE AGREE:

**Representing and binding South Carolina Electric & Gas Company**



Catherine D. Taylor, Esquire

K. Chad Burgess, Esquire

**South Carolina Electric & Gas Company**

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WE AGREE:

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# Attachment A

## Three Year Amortization

May 2009 through April 2010												
May	June	July	August	September	October	November	December	January	February	March	April	Total Recovered
\$74,312,153.33	\$74,312,153.33	\$74,312,153.33	\$74,312,153.33	\$74,312,153.33	\$74,312,153.33	\$74,312,153.33	\$74,312,153.33	\$74,312,153.33	\$74,312,153.33	\$74,312,153.33	\$74,312,153.33	
Sample Carrying Cost	0.1725%	0.1725%	0.1725%	0.1725%	0.1725%	0.1725%	0.1725%	0.1725%	0.1725%	0.1725%	0.1725%	
Monthly Carrying Cost Collected	\$128,188.46	\$128,188.46	\$128,188.46	\$128,188.46	\$128,188.46	\$128,188.46	\$128,188.46	\$128,188.46	\$128,188.46	\$128,188.46	\$128,188.46	\$1,539,261.57
May 2010 through April 2011												
May	June	July	August	September	October	November	December	January	February	March	April	Total Recovered
\$74,312,153.33	\$71,215,813.61	\$68,119,473.89	\$65,023,134.16	\$61,926,794.44	\$58,830,454.72	\$55,734,115.00	\$52,637,775.28	\$49,541,435.55	\$46,445,095.83	\$43,348,756.11	\$40,252,416.39	
1/24 Monthly Recovery Amount	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$37,156,076.67
Monthly Carrying Cost Recovered	\$128,188.46	\$122,847.28	\$117,506.09	\$112,164.91	\$106,823.72	\$101,482.53	\$96,141.35	\$90,800.16	\$85,458.98	\$80,117.79	\$74,776.60	\$1,185,743.30
Total Monthly Recovery	\$3,224,528.19	\$3,219,187.00	\$3,213,845.81	\$3,208,504.63	\$3,203,163.44	\$3,197,822.26	\$3,192,481.07	\$3,187,139.88	\$3,181,798.70	\$3,176,457.51	\$3,171,116.33	\$38,341,819.96
May 2011 through April 2012												
May	June	July	August	September	October	November	December	January	February	March	April	Total Recovered
\$37,156,076.67	\$34,059,736.95	\$30,963,397.22	\$27,867,057.50	\$24,770,717.78	\$21,674,378.06	\$18,578,038.34	\$15,481,698.61	\$12,385,358.89	\$9,289,019.17	\$6,192,679.45	\$3,096,339.73	
1/24 Monthly Recovery Amount	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$3,096,339.72	\$37,156,076.67
Monthly Carrying Cost Recovered	\$64,084.23	\$58,753.05	\$53,411.86	\$48,070.67	\$42,729.49	\$37,388.30	\$32,047.12	\$26,705.93	\$21,364.74	\$16,023.56	\$10,682.37	\$416,612.51
Total Monthly Recovery	\$3,160,433.95	\$3,155,092.77	\$3,149,751.58	\$3,144,410.40	\$3,139,069.21	\$3,133,728.02	\$3,128,386.84	\$3,123,045.65	\$3,117,704.47	\$3,112,363.28	\$3,107,022.09	\$37,572,689.17

The actual under collection will reflect the addition of interest calculated and recovered each month from fuel dilute revenues.

The sample carrying cost is based on the 3 year Treasury Note rate as of March 14, 2008 of 1.42% plus 65 basis points divided by 12 to arrive at a monthly rate of .1725%.

The carrying costs and recovery amounts set forth in this document have been calculated using the projected under recovered fuel cost balance as of April 30, 2009 which is projected to be in the amount of \$111,468,230. The actual calculation, carrying costs and monthly carrying costs to be collected will be based on the actual under-collected amount as of April 30, 2009.